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Service



Annual Report to Congress, 1985

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AUTHORITY

The United States Grain Standards Act (Act), as amended, requires the Administrator of the Federal Grain Inspection Service (FGIS) to submit a report on December 1, of each year, to the House and Senate Committees on Agriculture on the effectiveness of the official inspection and weighing system for the prior fiscal year and make recommendations for legislative changes to accomplish the objectives of the Act.

The Act also requires the Administrator to submit a summary of valid complaints received and their resolution by the U.S. Department of Agriculture (USDA) during the prior fiscal year from foreign purchasers and prospective purchasers of United States grain. This summary is included as part of the annual report.

MISSION

The mission of FGIS is to provide for the establishment of official United States Standards for Grain, to promote the uniform application thereof by official inspection personnel, to provide for an official inspection system for grain, and to regulate the weighing and the certification of the weight of grain shipped in interstate or foreign commerce, as authorized by the U.S. Grain Standards Act, as amended, and the regulations thereof; and to carry out the delegated responsibilities under the Agricultural Marketing Act of 1946 (AMA).
(49 FR 28539)



United States
Department of
Agriculture

Federal Grain
Inspection
Service

Washington,
D.C.
20250

December 1, 1985

Honorable E (Kika) de la Garza
Chairman, Committee on Agriculture
House of Representatives
Washington, DC 20515

Honorable Jesse Helms
Chairman, Committee on Agriculture,
Nutrition, and Forestry
United States Senate
Washington, DC 20510

Dear Chairmen:

In compliance with the United States Grain Standards Act (Act), as amended, the Federal Grain Inspection Service (FGIS) submits its fiscal year 1985 Annual Report to Congress. This report includes a descriptive summary and evaluation of FGIS' principal activities, including a cost accounting of the official inspection and weighing system during the fiscal year.

The quality and condition of U.S. grain received renewed interest during fiscal year 1985. Worldwide competition increased as supplies were plentiful and U.S. prices were about 10 to 30 percent higher than competing commodities. While our traditional trading partners recognize that the U.S. is a quantity supplier, they desire to have better quality and condition when the price is higher relative to other suppliers. Generally, the wheat harvest of 1984 was completed under favorable climatic conditions. However, these conditions were adverse for the corn and soybean harvests, and the quality and condition of corn and soybeans were below average. Consequently, many cargoes were at the lower range of the grades, and buyer complaints increased.

Several legislative initiatives to improve the quality of export grain were introduced in Congress during this session. These bills were referred to the Committees on Agriculture and are awaiting final action by the Congress.

Grain export inspections totaled 101.1 million metric tons, compared to last year's 115.2 million metric tons, a decrease of 14.1 million metric tons or 12 percent.

FGIS' operating revenues during fiscal year 1985 were \$31.7 million, with obligations of \$31.5 million, yielding a net operating margin of \$200,000. Prior year adjustments of \$300,000 accrued to the revolving fund which ended the year at \$8.0 million. This represents a 3-month operating reserve, a position that we strive to maintain. Total revolving fund program obligations (actual operations) for the fiscal year were at \$31.5 million or about \$600,000 above last year's level of \$30.9 million.



The Federal Grain Inspection Service
is an agency of the
United States Department of Agriculture

Honorable E (Kika) de la Garza
Honorable Jesse Helms

- 2 -

Because of decreased exports and cost containment efforts, total obligations were below budget authorization limits. Appropriated obligations of approximately \$6.7 million plus revolving fund obligations of \$31.5 million total \$38.2 million or approximately \$500,000 over fiscal year 1984 total program obligations.

At the beginning of fiscal year 1984, FGIS received a \$6 million supplemental appropriation to recapitalize its depleting revolving fund account. In the last two fiscal years, FGIS has repaid \$4 million to the Treasury. The balance will be repaid in fiscal year 1986, as operating balances permit.

Effective October 1, 1985, FGIS reduced fees by approximately 40 percent for the supervision of inspection and weighing services performed by official agencies. Under current law, delegated States and designated agencies perform official inspection and weighing services under Federal supervision and must pay fair and reasonable fees to FGIS to cover its costs. If current cost and revenue patterns continue, fees may have to be adjusted in fiscal year 1986 for original inspection and weighing services.

During the past year, FGIS' method of establishing fees was upheld by the U.S. Court of Appeals. In a suit filed 5 years ago by several grain exporting firms, the complainants claimed that FGIS had charged excessive fees by using national rather than local program costs. The Court held that FGIS' method of calculating fees for inspection and weighing services was consistent with its statutory authority and the national character of its program.

The FGIS Advisory Committee continues to play a key role in providing relevant information on the programs and activities of FGIS. Subcommittees were established to address corn moisture, insect infestation, and legislation on the removal of dust from grain. The Committee also addressed the issues of proposed user-fee legislation; grain quality reports for corn, wheat, and soybeans; proposed changes in the grain standards; and the financial status of FGIS.

In general, FGIS is perceived to continue providing a needed governmental service in a cost-effective manner.

Sincerely,

A handwritten signature in cursive script that reads "Kenneth A. Gilles".

Kenneth A. Gilles
Administrator

TABLE OF CONTENTS

	<u>Page</u>
Introduction	
Concerns.	iv
Functions Performed	vi
Field Management Division	1
Inspection.	1
Weighing.	5
Inspection Program Data	6
Weighing Program Data	7
Summary of Export Yellow Soybean Quality, 1984. . .	8
Summary of Export Wheat Quality, 1984	8
Summary of Export Corn Quality, 1984.	9
Resources Management Division	10
Safety and Health	10
Reported Explosion Incidents in Grain	
Handling Facilities.	11
Standardization Division.	12
Compliance Division	14
International Monitoring.	17
Summary of Foreign Monitoring Team	
Activities by Country Visited.	18
Summary of Briefings with Foreign Trade	
and Governmental Teams	20
Summary of Inspection and Weighing	
Foreign Complaints	21
Three-Year Summary of Foreign Grain	
Complaints	23
 APPENDIX	
Organizational Chart.	24
FGIS Official Inspection and Weighing Services.	25
Official Inspection and Weighing Oversight.	25
FGIS Performance of Inspection and Weighing	
Services.	26
Inspections for Export by Port Area for FY 1985	26
Status of Fee-Supported Accounts.	27
FGIS Appropriated and Fee-Supported	
Expenditures.	28
FGIS Appropriated Funds Availability and	
Obligations	28
Full-Time Permanent Employment History.	29
Number of Inspections	29
U.S. Exports - Wheat, Course, Grains, Soybeans,	
Rice and Sunflower	30

CONCERNS

Challenging issues continue to confront the national inspection system. We have worked diligently with the FGIS Advisory Committee in addressing the following issues:

(1) Wheat Classing

The only acceptable method in current commercial practice for classing wheat for grading purposes is by visually examining the physical kernel characteristics. Variations of this system are used by all major grain exporting nations. Increased breeding and production of new atypical wheat varieties exhibiting parental kernel characteristics of more than one class continue to increase the difficulty for licensed inspectors in classing wheat. Factors further complicating wheat classing are the influence of climate or fertility conditions on the kernel characteristics and the commingling of typical and atypical varieties in marketing channels. However, the grain trade retains preference for the current classification system.

No objective test currently is available which accurately classes wheat according to the present standards; however, a number of tests are currently under study by USDA, university, and industry researchers. FGIS will continue to work with researchers in the field to find an acceptable solution to the wheat classing problem.

(2) Insect Infestation

Insect infestation is a major concern to foreign and domestic buyers and processors which is enhanced by the loss of certain pesticides. The concern is shared by FGIS because it identifies insect-infested grain or grain damaged by insects and certificate the results. FGIS is examining its procedures for identifying and certifying live and hidden insect infestation and working with the Agricultural Research Service (ARS) to encourage development of efficient methods for controlling insects in grain.

(3) Wheat Dockage Certification

The current method of wheat dockage certification rounds the actual percentage of dockage down to the nearest 0.5 percent; for example, 0.0 to 0.49 percent is shown as no dockage, 0.50 to 0.99 percent is shown as 0.5 percent dockage, 1.0 to 1.49 percent dockage is shown as 1.0 percent, and so forth. Foreign buyers object to this certification approach because it under-reports the amount of dockage in U.S. wheat as much as 0.49 percent.

FGIS proposed a change in the dockage rounding procedures in the review of the wheat standards in January 1984. Comments received on the proposed change indicated considerable controversy existed on this issue. FGIS published a final rule in the May 16, 1984, Federal Register which included a notice that (1) a change in the dockage rounding procedure was deferred pending completion of further study, and (2) at least one public meeting would be held to discuss the issue before further action is taken. Plans are being made to hold this meeting on January 7, 1986.

The FGIS Advisory Committee considered the issue of dockage and recommended that FGIS propose to certificate the amount of dockage in tenths (0.1) of a percent rather than the current half (0.5) percent basis.

(4) Quality and Condition of U.S. Export Grain

The quality of U.S. export grain has come under increased scrutiny and concern by foreign buyers, exporters, producers, other segments of the grain industry, the media, and the public-at-large. The public's perception of U.S. grain is that its quality is poor compared with other countries.

The U.S. grain marketing system is very complex. Mixing and blending of grain, a key element in the marketing chain, begins at the farm and is practiced at each marketing level. When properly practiced, blending facilitates quality control.

The handling of grain at each step in the marketing chain produces dust and broken kernels, as well as segregation of material. When a shiphold is initially opened, the grain will appear dusty on the surface due to these segregating effects. Many importers receive only a portion of the total shipment. Segregation, sampling techniques, and grading methods at destination can account for over 90 percent of the foreign complaints. FGIS' foreign monitoring program includes an extensive educational program to acquaint the buyer and user with its policies and procedures to minimize such problems.

Generally, foreign buyers recognize the levels of grain quality that the official U.S. grades represent. In some cases, however, buyers have a preconceived concept of what the grain quality should be. When it does not meet these expectations, they may complain -- even if the quality is within the grade limits. U.S. standards have tolerances for various grading factors which are greater than our chief competitors. The standards are published and buyers of U.S. grain have ready access to them.

FGIS will continue working with representatives of the grain industry, including producers, in an effort to resolve the problems and perceptions surrounding the issue of grain quality.

FUNCTIONS PERFORMED

FGIS administers and enforces the United States Grain Standards Act (Act). U.S. grain standards for corn, wheat, rye, oats, barley, flaxseed, soybeans, sorghum, mixed grain, sunflowers, and triticale have been established under the Act. The Act requires a national inspection and weighing system for grain; requires that export grain be inspected and weighed under the Act; prohibits deceptive practices and criminal acts with respect to the inspection and weighing of grain; and provides penalties for violations.

In administering and enforcing the Act, FGIS:

- establishes official grain standards based on grading factors and other official criteria for measuring and describing grain quality;
- establishes methods and procedures and approves equipment for the official inspection and weighing of grain; 1/

1/ Official Inspection. The determination (by original inspection, reinspection, and appeal inspection) and the certification by official personnel of the kind, class, quality, or condition of grain under standards provided for in the Act; or the condition of vessels and other carriers or receptacles for the transportation of grain insofar as it may affect the quality of such grain; or other facts relating to grain under other criteria approved by the Administrator (the term "officially inspected" shall be construed accordingly).

Official Weighing. (Referred to as Class X weighing.) The determination and certification by official personnel of the quantity of a lot of grain under standards provided for in the Act, based on the actual performance of weighing or the physical supervision thereof, including the physical inspection and testing for accuracy of the weights and scales, the physical inspection of the premises at which weighing is performed, and the monitoring of the discharge of grain into the elevator or conveyance. (The terms "officially weigh" and "officially weighed" shall be construed accordingly.)

- delegates qualified State agencies to inspect and weigh grain under the Act at certain export port locations; 2/
- designates qualified State and private agencies to inspect and weigh grain under the Act at interior locations;
- provides official inspection and weighing services at certain export port locations in the Atlantic, Great Lakes, Gulf, and Pacific Coast States; and official inspection at certain port locations in Eastern Canada on U.S. export grain transshipped through Canada;
- provides appeal inspection services in the United States and at certain export port locations in Eastern Canada on U.S. export grain transshipped through Canada; 3/
- provides Federal oversight and monitors the official inspection and weighing of grain by delegated States and designated agencies under the Act; and
- investigates apparent violations of the Act in cooperation with the Office of Inspector General (OIG), and recommends appropriate action.

The Act requires, in some instances, that grain be officially inspected and weighed. In other instances, official inspection and weighing are not required but may be obtained by officially requesting such services. In both instances, official inspection and weighing services are performed on a fee basis.

2/ Export Port Locations. Commonly recognized ports of export in the United States or Canada, as determined by the Administrator, from which grain produced in the United States is shipped to any place outside the United States. Such locations include any coastal or border location or site in the United States which contains one or more export elevators, and is identified by FGIS as an export port location.

3/ Appeal Inspection Service. An official review by a field office of the results of an original inspection service or a reinspection service.

FGIS administers and enforces certain inspection and standardization activities related to grain products and other commodities under the Agricultural Marketing Act of 1946 (AMA), such as beans, lentils, peas, rice, hops, and hay. Services provided under the AMA are performed upon request on a fee basis.

Requested Services

Official inspection and weighing of U.S. grain destined for domestic consumption, with few exceptions, are performed on request and require payment of a fee by either the buyer or seller of the grain. These services are provided by designated agencies which employ approximately 3,000 agency personnel licensed by FGIS to provide such services in accordance with the regulations and instructions. FGIS' supervision and administration costs have been funded by user fees since October 1, 1981.

Inspection and weighing services provided under the AMA are performed on request for both domestic and export shipments. These services are provided either by FGIS employees, individual contractors, or through cooperative agreements with States.

Mandatory Services

Under provisions of the Act, grain exported from export port locations must be officially weighed. A similar requirement exists for inspection except for grain which is not sold or described by grade. The Act also requires that intercompany barge grain received at export port locations be officially weighed. Grain facilities that notify FGIS of their plans to export less than 15,000 metric tons annually are exempt from mandatory inspection and weighing requirements of the Act. Mandatory official inspection and weighing services are provided at 60 export elevators by approximately 635 FGIS employees. Eight delegated States with approximately 800 employees provide official services at an additional 31 export elevators under direct Federal oversight. Grain exported by rail or truck to Canada or Mexico is exempt from official inspection and weighing requirements of the Act.

FGIS carries out its inspection and weighing services through a headquarters staff and a field staff comprised of 29 field offices, 2 Federal/State offices, and 9 suboffices. The offices are located in 25 States and Canada to serve the needs of the grain industry. The objectives of the field offices are to provide efficient and timely services, monitor the activities of delegated and designated agencies, and promote a cooperative working relationship with the grain industry.

The FGIS supervision function represents an integral part of the national inspection system. It is defined as the effective guidance of agencies, official personnel and others who perform activities under the Act to assure the integrity and accuracy of the program activities. Supervision includes overseeing, directing, and coordinating the performance of activities under the Act, reviewing the performance of these activities, and effecting appropriate action. FGIS supervisory personnel supervise agencies, official personnel, and others who perform activities under the Act. Agency supervisors are responsible for the direct supervision of their own official personnel and employees. FGIS provides oversight, guidance, and assistance to agencies as they carry out their responsibilities.

FIELD MANAGEMENT DIVISION

The Field Management Division is comprised of the following management components and functions:

(1) Inspection

The grain inspection program includes: (a) providing reliable and accurate grading, sampling, and carrier condition examination services; (b) monitoring inspection accuracy; (c) identifying and responding to intermarket grain quality problems; (d) providing reinspection and appeal inspection services; and (e) overseeing delegated and designated agencies that provide official services.

A 12 percent reduction in the volume of export grain inspected during fiscal year 1985 had a significant impact on inspection and weighing operations. FGIS field offices at most major grain export locations were affected adversely by the decreased export activity. Furlough and reduction-in-force (RIF) actions were necessary at many locations to compensate for the reduced workload and revenue. Approximately 135 employees, or 16 percent of the workforce, were adversely affected by the staffing adjustments. To assist employees affected by RIF's and furloughs, three were placed with the Animal and Plant Health Inspection Service (APHIS), and stress and career counseling were provided in several field offices.

Cross-utilizing employees with other USDA agencies proved helpful in maintaining a cost-effective operation during the slack workload periods. Ten employees were detailed to APHIS, on a cost-reimbursable basis, to work on a citrus canker disease eradication program in Florida. Field employees are also providing sampling services for other USDA agencies.

In an effort to provide data on actual export quality, FGIS evaluated export wheat, soybeans, and corn quality for calendar year 1984. The evaluation results showed that U.S. exports met contract requirements during 1984 as follows:

<u>Grain</u>	<u>Bushels</u>	<u>Percent</u>	<u>Grade</u>
Wheat	1,454 million	95	U.S. #2
Soybeans	703 million	88	U.S. #2
		10	U.S. #3
Corn	1,914 million	67	U.S. #3
		31	U.S. #2

Foreign material was the only grade factor which approached the maximum limit for corn and soybeans. (Refer to tables on pages 8 and 9.)

Although the export quality reports showed the U.S. exports as a quality product, some industry representatives and foreign buyers continued to be concerned about the level or presence of moisture, dockage, dust, insects, and foreign material in grain. They believe the grain industry must make U.S. grain more competitive in international and domestic markets. This will require research to improve grain handling and storage methods.

On December 31, 1984, manufacturers of liquid fumigants (fumigants containing any combination of carbon tetrachloride, carbon disulfide, or ethylene dichloride) discontinued production. Consequently, liquid grain fumigants are now disappearing from the marketplace. This will have an impact on many segments of the grain industry since a replacement is not readily available. The grain industry must rely upon other grain fumigants or protectants such as phosphine, methyl bromide, and malathion products. Many farm storage facilities are unsuited for safe and effective use of either phosphine or methyl bromide. Grain protectants such as malathion, reldan, and actellic may be used. Scientists and leaders of industry and government are researching other effective methods for insect control.

The discontinuation of liquid fumigants had little effect on export grain fumigation practices because the grain industry

primarily uses a phosphine product. To further improve this area of insect control, FGIS assisted the Office of International Cooperation and Development and ARS on an intransit shipboard fumigation demonstration between the United States and the Federal Republic of Germany. This project could be a significant milestone in promoting intransit fumigation as an effective, efficient, and safe means of controlling insect infestation in grain. The Federal Republic of Germany has voted against intransit fumigation at meetings of the International Maritime Organization (IMO) of the United Nations because of safety and efficacy concerns.

A recent decision by the U.S.S.R. to accept the first non-experimental intransit fumigation of a U.S. grain shipment aboard a foreign flag vessel offers grain merchants an alternate, effective method for controlling insect infestation in grain shipments to the U.S.S.R. This action is the culmination of several years dialogue and consultation between USDA and the U.S.S.R.'s Ministry of Procurement. The most recent meetings, in April 1985, coincided with an experimental intransit fumigation of a non-U.S.S.R. vessel bound for the U.S.S.R. It was successful.

FGIS installed, at industry's request, thin-layer chromatography aflatoxin testing laboratories in Mobile, Alabama, and Norfolk, Virginia. Such facilities existed in New Orleans, Louisiana, and Beltsville, Maryland. To expedite aflatoxin testing, FGIS implemented an identity-preserved program to test corn for aflatoxin prior to actual export loading. This may have contributed to increased corn exports from Mobile, Alabama; Pascagoula, Mississippi; and North Charleston, South Carolina, ports which tend to display high aflatoxin levels.

In south Texas, grain export activity increased 48 percent over fiscal year 1984, and additional border inspections were requested for U.S. rail and truck shipments to Mexico. This increased work volume along with staff adjustments, and less expensive office space have enabled the Corpus Christi Field Office to cover annual operating expenses for the first time in several years.

The Mexican Government established a new grain purchasing procedure. The change permits private Mexican grain firms to purchase grain directly from U.S. suppliers rather than through the government's purchasing agency, CONASUPO. As a result, FGIS received increased inspection requests for truck shipments of grain sold directly to Mexican grain firms.

Last year, State delegated agency agreements with California and Washington were modified to increase the States' responsibilities for inspection and weighing of export grain, reduce program costs, and improve efficiency. Preliminary figures indicate that California and Washington saved approximately \$43,000 and \$373,000, respectively, in reduced FGIS supervision user fees. FGIS is conducting an evaluation to determine whether changes in the agreements are necessary. The program will be offered to the six remaining delegated States for their consideration.

Through a network of quality assurance specialists in field offices and delegated and designated agencies, the national inspection system responded to potential intermarket problems such as blending high and low moisture grain, wheat classing, purple pigmented wheat, soybean frost damage, and wheat and barley sprout damage. Immediate and positive reaction to crop quality problems by the national inspection system successfully minimized intermarket inspection discrepancies.

FGIS held 59 formal grain and commodity seminars attended by 850 FGIS employees, licensed inspectors, producers, grain industry representatives, and foreign grain trade delegates and officials. These seminars have played an important part in maintaining the integrity of the national inspection system.

New, state-of-the-art Near-infrared Reflectance (NIR) instruments for protein testing were purchased, and a plan to phase out decade-old equipment was implemented. The new instruments, along with plans for direct monitoring of protein accuracy from a centralized location, should improve overall program accuracy and reduce operating costs. FGIS is conducting a pilot test, in cooperation with industry, of a computerized network system to further improve its protein testing and quality control program.

The Food and Drug Administration (FDA) and FGIS participated in an investigation of wheat allegedly adulterated with urea. Urea, a nitrogenous chemical compound, when applied to wheat can give artificially high protein test results. To prevent serious marketing problems, FGIS implemented a special urea testing service. As a result, additional urea-adulterated shipments have not been found. Publicizing the intent to test for urea may have deterred adulteration of additional lots of grain.

FGIS continued providing ethylene dibromide (EDB) testing upon request. FGIS conducted a survey of export shipments for carbon tetrachloride and methyl bromide residue. Survey results were sent to the Environmental Protection Agency (EPA) and FDA officials. To reduce the cost, EDB testing was transferred from

APHIS to our Beltsville Commodity Testing Laboratory. Testing results have detected only extremely low traces of EDB, all below EPA action levels.

(2) Weighing

The weighing program includes: (a) providing reliable and accurate weighing services; (b) monitoring the accuracy and performance of approved weighers; (c) testing scales and related equipment used in the official weighing of grain; and (d) responding to domestic and foreign complaints.

FGIS proposed to incorporate, by reference in its regulations, appropriate sections of the National Bureau of Standards' Handbook 44 and Field Test Standards, two publications which cover scale specifications and tolerances. This will permit FGIS to: (1) condense and reduce its weighing regulations; (2) eliminate unnecessary duplication; and (3) strengthen the overall weighing program. Final rulemaking on this proposal is scheduled for the first quarter of fiscal year 1986.

Technological advances in the area of scales and grain handling, such as the use of programmable controllers and computers, require that FGIS constantly evaluate its program control and monitoring procedures. OIG, at FGIS' request, evaluated the weighing program and made recommendations in the area of security procedures. As a result, FGIS is developing improved procedures for assessing the integrity of the automatic grain weighing systems. FGIS is also evaluating the technical ability of its workforce in light of the advanced technology.

Inspection Program Data

Item	Fiscal Years		
	1983	1984	1985
Quantity of Grain Produced* (Mt) <u>1/</u>	247.1	360.2	393.2
Quantity of Grain Officially Inspected (Mt)			
Domestic	176.0	179.2	168.0
Export	<u>114.1</u>	<u>115.2</u>	<u>101.1</u>
Sub-total	290.1	294.4	269.1
Number of Delegated States/Official Agencies	83	82	82
Number of Federal Original Inspections and Reinspections			
FGIS	222,763	216,219	198,685
Delegated State/Official Agency	<u>2,742,049</u>	<u>2,739,553</u>	<u>2,761,192</u>
Sub-total	2,964,812	2,955,772	2,959,877
Number of Federal Inspection Supervisions	48,967	42,201	42,715
Number of Federal Protein Supervisions <u>2/</u>	25,000	37,000	34,000
Number of Appeals	24,223	20,460	16,436
Number of Appeals Carried to BAR <u>3/</u>	1,238	1,327	1,288
Number of BAR Inspection Supervisions	8,879	7,443	6,107
Number of Protein Inspections			
FGIS	56,740	52,349	43,639
Delegated States/Official Agencies	<u>549,495</u>	<u>567,644</u>	<u>527,706</u>
Sub-total	606,235	619,993	571,345
Number of Aflatoxin Inspections	11,200	17,885	20,339
Quantity of Rice Inspected (Mt)			
(milled basis)	3.4	3.4	3.0
Number of Foreign Quality Complaints <u>4/</u>	13	22	71

* Calendar Year. Source: Statistical Reporting Service

1/ Million metric tons

2/ Estimate

3/ Board of Appeals and Review

4/ See pages 21 and 22 for additional foreign complaint information

Weighing Program Data

Item	Fiscal Years		
	1983	1984	1985
Official Weight Certificates Issued			
FGIS			
Class X *	124,718	117,528	108,894
Class Y **	<u>34,162</u>	<u>7,181</u>	<u>5,612</u>
Sub-total	158,880	124,709	114,506
Delegated States and Official Agencies			
Class X	205,595	217,248	186,038
Class Y	<u>130,516</u>	<u>112,102</u>	<u>88,698</u>
Sub-total	336,111	329,350	274,736
Export Grain Weighed (Mt)			
FGIS	93.0	88.5	78.2
Delegated States	<u>21.1</u>	<u>26.7</u>	<u>22.9</u>
Sub-total	114.1	115.2	101.1
Number of Certified Scales in Service -			
Export Elevators	491	485	455
Number of Railroad Track Scales Tested	84	91	100
Number of Foreign Weight Complaints <u>1/</u>	3	2	3

1/ See pages 21 and 22 for additional foreign complaint information

* Class X is 100 percent supervision

** Class Y is a minimum of 25 percent supervision

Summary of Export Yellow Soybean Quality, 1984 ^{1/}

<u>Grade</u>	<u>U.S. No. 2</u>		<u>U.S. No. 3</u>	
<u>Volume</u> (million bu)	575		64	
<u>Factor</u>	<u>Grade Limit*</u>	<u>Average</u>	<u>Grade Limit</u>	<u>Average</u>
Test weight	54.0	55.8	52.0	55.6
Moisture	14.0	12.6	16.0	12.8
Splits	20.0	7.1	30.0	7.3
Total damaged kernels	3.0	0.9	5.0	1.0
Heat-damaged kernels	0.5	0.0	1.0	0.0
Foreign material	2.0	1.8	3.0	2.5
Brown, black, bicolored	2.0	0.0	5.0	0.0

^{1/} Table taken from FGIS report, U.S. Export Soybean Quality, 1984

* Minimum allowed for test weight and maximum allowed for all other factors

Summary of Export Wheat Quality, 1984 ^{1/}

<u>Class</u>	<u>All Classes</u>	<u>HRW</u>	<u>SRW</u>	<u>WW</u>	<u>HRS</u>
<u>Volume</u> (million bu)	1,379	740	224	209	206
<u>Factor</u>	<u>No. 2 Grade Limit</u>	<u>Average</u>			
		<u>Percent</u>			
Heat damaged kernels	0.2	0.00	0.00	0.01	0.00
Total damaged kernels	4.0	0.6	0.9	0.5	0.6
Foreign material	1.0	0.3	0.2	0.3	0.4
Shrunken & broken	5.0	2.4	0.9	1.0	2.2
Total defects	5.0	3.3	2.0	1.8	3.2
Dockage	N/A	0.6	0.7	0.6	0.9
Wheat of other classes	5.0	1.9	0.4	0.3	1.3
Total defects plus dockage	N/A	3.9	2.7	2.4	4.1
Foreign material plus dockage	N/A	0.9	0.9	0.9	1.3

^{1/} Table taken from FGIS report, U.S. Export Wheat Quality, 1984

N/A Not applicable

HRW Hard Red Winter

SRW Soft Red Winter

WW White Wheat

HRS Hard Red Spring

Summary of Export Corn Quality, 1984 ^{1/}

<u>Grade</u>	<u>U.S. No. 2</u>		<u>U.S. No. 3</u>	
<u>Volume</u> (million bu)	516		1,130	
<u>Factor</u>	<u>Grade Limit*</u>	<u>Average</u>	<u>Grade Limit</u>	<u>Average</u>
Test weight	54.0	55.9	52.0	55.8
Moisture	15.5	14.0	17.5	14.1
BCFM	3.0	2.7	4.0	3.6
Total damaged kernels	5.0	3.5	7.0	4.3
Heat-damaged kernels	0.2	0.0	0.5	0.0

^{1/} Table taken from FGIS report, U.S. Export Corn Quality, 1984

* Minimum allowed for test weight and maximum allowed for all other factors

RESOURCES MANAGEMENT DIVISION

The Resources Management Division is responsible for the overall planning, coordinating, and monitoring of all financial management, manpower planning, and ceiling control necessary to carry out the functions of FGIS. Internal support services provided by RM include: budget and financial management; information resources management; program analysis; Automated Data Processing (ADP) services; technical and program training; safety and health, including Office of Workers' Compensation Program management; performance measurement systems for the national inspection system; maintenance of USDA's Explosion Reporting and Tracking System; coordinating management improvement initiatives; and providing, securing, or negotiating for all other resources or services needed to operate and manage the organization.

FGIS continued to consolidate administrative support activities to reduce cost savings and improve program efficiency. Technical support assistance in personnel, procurement, and related activities are provided by APHIS. Several initiatives were taken to improve FGIS management: a Long-Range Management Plan was initiated; the internal control program focused on the weighing and ADP programs; and a Management Development Plan was implemented.

A new regulation on official agency fee schedules was developed which encouraged uniformity of fee schedules among agencies. Seventy-three revised agency fee schedules were evaluated and approved.

ADP capabilities continued to be expanded. FGIS initiated a micrographics program to reduce file space needs and automated a market information system.

Safety & Health

At FGIS' request, the National Institute of Occupational Safety and Health (NIOSH) conducted a series of health hazard evaluations at several field office worksites. NIOSH found that FGIS employees were not in danger of any serious health hazards as a result of exposure to grain fumigants. Recommendations were made covering protective equipment, hazard awareness, and treatment of fumigated grain, which FGIS is implementing.

Reported Explosion Incidents in Grain Handling
Facilities, Fiscal Year 1985

The following grain dust explosions were reported to FGIS during fiscal year 1985. The reports were received through the cooperation of universities, insurers, trade groups, FGIS personnel, and a news clipping service. FGIS does not investigate grain dust explosions, and the public sector is not required to report explosions to FGIS.

<u>No.</u>	<u>Facility & Location</u>	<u>Date</u>	<u>Injuries</u>	<u>Deaths</u>
1	Bay State Milling Clifton, NJ	11/18/84	2	1
2	St. Charles Elevator Destrehan, LA	12/04/84	0	0
3.	Haveman Elevator Murray, NE	12/07/84	2	0
4.	Southwest Grain Corp. Dickson, ND	12/26/84	0	0
5.	Farmers Coop Business Assn. Shelby, NE	01/02/85	2	0
6.	Farmers Coop Grain Assn. Stromsburg, NE	01/17/85	0	0
7.	BUNGE Corporation Elev. Old Shawneetown, IL	01/25/85	0	0
8.	Early and Daniel Cincinnati, OH	02/06/85	0	0
9.	Comstock Farmers Coop Comstock, MN	02/18/85	3	0
10.	Farmers Coop Elevator Muleshoe, TX	03/12/85	0	0
11.	Davenport Grain Co. Davenport, NE	04/02/85	2	0
12.	Martin Grain Co. Taylor Ridge, IL	05/03/85	0	0
13.	Shickley Grain Co. Shickley, NE	05/15/85	1	0
14.	Galva Coop Grain & Supply Galva, IL	06/03/85	0	0
15.	ADM Clinton, IA	06/12/85	1	0
16	Pillsbury Company Browns, IL	08/07/85	<u>1</u>	<u>0</u>
	Total		14	1

(More than half of the explosions occurred in the States of Nebraska and Illinois, with five and four explosions, respectively.)

STANDARDIZATION DIVISION

Standardization is defined as the act, process, or result of standardizing methodology and measurement of quality and quantity.

Standardization functions include: compiling and evaluating data to develop and update grading and weighing standards, developing or evaluating new methodology for determining grain quality and quantity, providing reference standards for official grading methods, and reviewing official grading results through the use of a quality control and weight monitoring program.

The Standardization Division administers programs for the development, promulgation, and uniform official application of new and revised U.S. grade standards for grain and other assigned commodity products. Standards are reviewed and updated to reflect changing inspection techniques, to attain uniformity, and to clarify existing technology and procedures. New standards are developed and existing ones revised to assure that the physical and biological characteristics of grains and related commodities are uniformly and accurately described during movement through the marketing system. The standards must reflect changes in production and marketing practices. Standards reviews were completed and revisions published for soybeans, triticale, flaxseed, and oats.

To improve the grain inspection system, FGIS is cooperating in the development of objective testing procedures. Research contracts were let in the following grain inspection areas: (1) objective odor determination through instrumentation; (2) determination of hidden insect infestation in wheat; (3) single kernel moisture analysis for corn; and (4) objective procedure for wheat classing. In-house research projects included: (1) reference methods for moisture determination in grain; (2) Kjeldahl protein variations used in major grain producing countries; (3) pulsed nuclear magnetic resonance (NMR) use for moisture and oil determination in sunflower and soybeans; (4) an improved Carter-Day dockage tester procedure for the determination of chess and buckwheat in wheat; (5) oil and protein determination in soybeans by use of NIR; (6) development of equipment for automatic bleaching of grains; and (7) the effect of cold storage on grain moisture determination by dielectric meters.

Standardization Program Data

Item	Fiscal Years		
	1983	1984	1985
U.S. Grade Standards in effect	19	20	20
Commodities covered by grade standards	16	17	17
New & revised standards issued during fiscal year	5	5	4*
Revised or reissued standards being developed	4	3	1**
Standards reviews in progress	10	5	3
Standards reviews completed	6	4	4
Inspection techniques developed	9	6	10
Equipment evaluated	14	13	8

* Soybeans, Triticale, Flaxseed, and Oats

** Barley

COMPLIANCE DIVISION

Compliance is the conformance with all requirements and procedures established by statute, regulation, instruction, or directive so that the managerial, administrative, and technical functions of FGIS are accomplished effectively. Compliance functions include: evaluating alleged violations, and initiating preliminary investigations; initiating implementation of all necessary corrective actions; conducting management and technical reviews; administering the designation of agencies and the delegation of State agencies to perform official functions; monitoring the performance of the delegated and designated agencies; identifying and, where appropriate, waiving and monitoring conflicts of interest; licensing agency personnel; responding to audits of FGIS programs; and reviewing and, when appropriate, approving fee schedules.

There are 82 State and private agencies designated to provide official services at interior points. Of these, eight are States that are also delegated to perform official inspection and weighing services at export points. Two agencies voluntarily cancelled their designations, and new agencies were selected for designation in their place. Under triennial renewal procedures, 27 agency designations were automatically terminated and renewed after a complete review of their performance. One of the 9 agencies granted discretionary conflict-of-interest waivers voluntarily cancelled its designation, and the remaining 8 continue to operate without significant problems. Twenty-three new licensee conflict-of-interest situations were evaluated. Eleven waivers were issued based on the licensees' agreement to comply with the conditions of the waiver. Twelve individuals resolved their conflicts by terminating their employment with the agency or by disposing of their conflicts.

At the beginning of fiscal year 1985, 4 cases involving alleged violations of the Act and AMA were under active investigation. During the year, 12 cases were opened and 7 cases were closed, leaving 9 cases under active investigation at the close of fiscal year 1985. Violations in these cases included alleged deceptive loading, attempted bribery, improper performance of duties, exporting without official inspection, and intermarket grade differences. Onsite investigations were conducted by compliance personnel in 6 cases, and 3 investigations were conducted by the Office of Inspector General (OIG). Of the 7 cases closed, 4 were closed after appropriate administrative actions were taken; 1 case was closed based on action taken by OIG, and 2 cases were closed due to insufficient evidence to sustain a corrective action. FGIS also assisted OIG in an investigation of alleged

quality discrepancies and quantity shortages in export processed grain products and conducted special reviews of export grain elevator operations to determine reasons for increased foreign complaints.

Compliance Division conducted 13 onsite field office reviews, 3 field office followup reviews, and 33 onsite agency reviews to evaluate management effectiveness and program compliance. FGIS' field offices also conducted onsite management reviews of agencies performing official services. The problems identified during these reviews have been or are in the process of being corrected.

Based on an assessment of the program and management reviews, FGIS concluded that it maintained an adequate level of official grain inspection and weighing services during fiscal year 1985. Besides providing the required and requested services, FGIS continued to monitor and improve procedures, identify and resolve problems, and closely monitor its revenue and costs. Economic trends and changing grain marketing practices will continue to present challenges to FGIS for the foreseeable future. The national inspection and weighing system is providing a high level of service to the grain industry and is generally self-supporting in a fee-based system. FGIS was effective in evaluating the system by identifying problems and resolving them.

FGIS believes the national inspection and weighing system operated at an adequate and cost-effective level in fiscal year 1985.

Compliance program data is shown below:

Item	Fiscal Years		
	1983	1984	1985
Agency delegations and designations	83	82	82
Designations renewed	28	26	27
State delegations at export port locations	8	8	8
Registration certifiectes issued to grain firms	131	119	128
Licensees:			
Inspectors	910	887	854
Weighers	223	238	205
AMA Inspectors	119	116	116
Samplers/Technicians (Approximate)	2000	2000	1800

INTERNATIONAL MONITORING

The International Monitoring program functions include: foreign travel to explain FGIS' inspection and weighing procedures; briefings with visiting foreign agricultural officials and others on our procedures and to obtain information on the quality of U.S. grain shipments; and written or onsite responses to formal and informal complaints received through the Foreign Agricultural Service.

FGIS received 71 formal and informal quality complaints and 3 formal quantity complaints. **Only 1 complaint was deemed valid**, a low protein complaint in wheat from the United Kingdom. This represented only 0.01 percent of the total grain tonnage shipped for fiscal year 1985.

Excessive rains prior to and during harvest of the 1984 corn and soybean crops in certain areas resulted in crops with higher moisture content than previous years. This, and the warm weather experienced during the fall and early winter, resulted in higher damage and moisture content than the buyer expected, but they were still within the grade limits. Some cargoes of corn apparently went out of condition after loading in the United States and before reaching destination ports. This was the major reason for increased corn complaints. Some of the origin file samples of these vessels showed that an increase in mold growth and damage had occurred after the original inspection was performed. The moisture content of exported Number 2 Yellow soybeans averaged 12.50 percent for the second quarter of fiscal year 1984, and 13.44 percent for the same period of fiscal year 1985, but below the 14.0 percent maximum grade limit. This and slightly wrinkled and/or discolored kernels, but not severe enough to be considered damaged, were the major reasons for increased soybean complaints.

Summary of Foreign Monitoring
Team Activities by Country Visited,
Fiscal Year 1985

Purpose	Representatives	Country Visited	Dates
1.a. Participate in U.S. Wheat Associates' Wheat Quality Seminar	1	Portugal, France, Italy, The Netherlands, Norway, Yugoslavia, Switzerland, and England	11/02 - 11/20/84
b. Respond to a complaint on corn quality		German Democratic Republic	
c. Met with CONASUPO on inspection, weighing, and grain quality issues	1	Manzanillo, Mexico	11/30/84
2. Respond to complaints on quality of early crop corn	1	Egypt	01/20 - 01/24/85
3.a. Respond to complaints on foreign material in soybeans	1	Portugal	04/15 - 04/19/85
b. Participate in a seminar on international marketing of cereals and oilseeds			
4. Attend seminar on testing of bulk weighing equipment	1	France	04/22 - 04/25/85
5. Give presentation at a symposium on storage and handling of granular foods	1	France	04/24 - 04/26/85
6. Discuss grain quality issues with trade officials	1	Japan, Korea	05/13 - 05/23/85
7. Respond to a complaint on broken corn and foreign material in corn	1	Kenya	05/25 - 06/07/85
8. Respond to a complaint on total defects in wheat and explain grain grading procedures	1	Syria	06/11 - 06/18/85
9. Attend International Association of Cereal Chemists mtg., discuss U.S. grain quality concerns, and visit national testing laboratories.	3	Federal Republic of Germany, Norway, Italy, England, and the Netherlands	05/19 - 06/08/85

Summary of Foreign Monitoring
Team Activities by Country Visited,
Fiscal Year 1985

(continued)

	Purpose	Representatives	Country Visited	Dates
10.	Give presentation at 20th International Grain Industry Course at Canadian International Grains Institute	1	Canada	05/27 - 06/27/85
11.	Give Presentation to Mexican Oils, Fats, and Protein Association	1	Mexico	06/26 - 06/28/85
12.	Attend Codex Alimentarius Commission meeting	1	Switzerland	07/01 - 07/10/85
13.	Followup on complaints on total defects in wheat	1	Syria	07/20 - 08/03/85
14.	Give presentation at Conference for North African Wheat Importers	1	Portugal	09/14 - 09/21/85
15.	Monitor unloading of a P.L. 480 rice vessel, at the request of the Foreign Agricultural Service	1	Philippines	09/17 - 09/29/85

Summary of Briefings with Foreign Trade
and Governmental Teams, Fiscal Year 1985
Listed by Area

	<u>No. of Teams</u>
<u>Africa</u>	
1. Egypt	3
2. Kenya	1
3. Morocco	2
4. Sudan	2
<u>Asia</u>	
1. Japan	8
2. Peoples Republic of China	4
3. Taiwan	1
4. Thailand	1
5. USSR	4
<u>Australia</u>	2
<u>Europe</u>	
1. Czechoslovakia	1
2. Italy	1
3. West Germany	1
4. Yugoslavia	1
<u>Latin America</u>	
1. Colombia	1
2. Dominican Republic	1
3. Haiti	1
4. Jamaica	1
5. Mexico	3
<u>Middle East</u>	
1. Iraq	1
2. Syria	1
3. Turkey	1
4. Yemen	1

Summary of Inspection and Weighing
Foreign Complaints, Fiscal Year 1985

Country	Grain	F* / I*		No. of Complaints	Nature of Complaint
Africa					
Egypt	Corn	1		1	Moldy, Heating
Egypt	Wheat	1		1	Infestation
Kenya	Corn/Wheat		1	1	Infestation
South Africa	Corn	1	1	2	Heating, Aflatoxin, Moisture
Asia					
Jamaica	Wheat		1	1	Dockage, Gluten
Japan	Soybeans		1	1	Foreign Material
Japan	Wheat	3		3	Dockage, Heat Damage
Korea	Corn	2	1	3	Broken Corn & Foreign Material
"	Soybeans	2	2	4	Quality, Damaged Kernels, Foreign Material, Test Weight
Korea	Wheat		1	1	Dusty
Thailand	Wheat		1	1	Low Protein
Europe					
Belgium	Soybeans		1	1	Damaged Kernels
E. Germany	Corn		1	1	Moldy, Sour
Greece	Soybeans		1	1	Foreign Material
Portugal	Corn	1	1	2	Quality, All Factors
"	Corn	2		2	Short Weight
"	Soybeans	4	2	6	Foreign Material, Damaged Kernels, Bulk Density
Spain	Soybeans	1		1	Infestation
United Kingdom ^{1/}	Wheat		1	1	Low Protein
W. Germany	Soybeans	9	1	10	Damaged Kernels, Foreign Material, Moisture
Latin America					
Chile	Wheat	2		2	Infestation
Colombia	Wheat		1	1	Foreign Material
Costa Rica	Wheat		1	1	Class, Dockage, Test Weight, Moisture
Ecuador	Wheat	1		1	Low Protein
Ecuador	Wheat	1		1	Short Weight
El Salvador	Wheat		1	1	Infestation
Jamaica	Wheat		1	1	Dockage
Mexico	Corn	1	4	5	Heating, Moldy, Broken Corn & Foreign Material
"	Soybeans		2	2	Quality, Foreign Material
Mexico	Sunflower		1	1	Oil Content, Foreign Material

Summary of Inspection and Weighing
Foreign Complaints, Fiscal Year 1985

(continued)

Country	Grain	F* / I*		No. of Complaints	Nature of Complaint
Peru	Corn	1		1	Broken Corn & Foreign Material
Peru	Wheat		1	1	Foreign Material
Uruguay	Wheat		1	1	Infestation
Venezuela	Corn		3	3	Mold Damage, Damaged Kernels Broken Corn and Foreign Material, Cockleburs
Venezuela	Soybeans	2	1	3	Damaged Kernels, Foreign Material
Middle East					
Cyprus	Corn	1		1	Infestation
Israel	Soybeans	1	1	2	Damaged Kernels, Moisture
Syria	Wheat	1	1	2	Quality, Total Defects
	TOTALS	39	35	74	

1/ Valid complaint

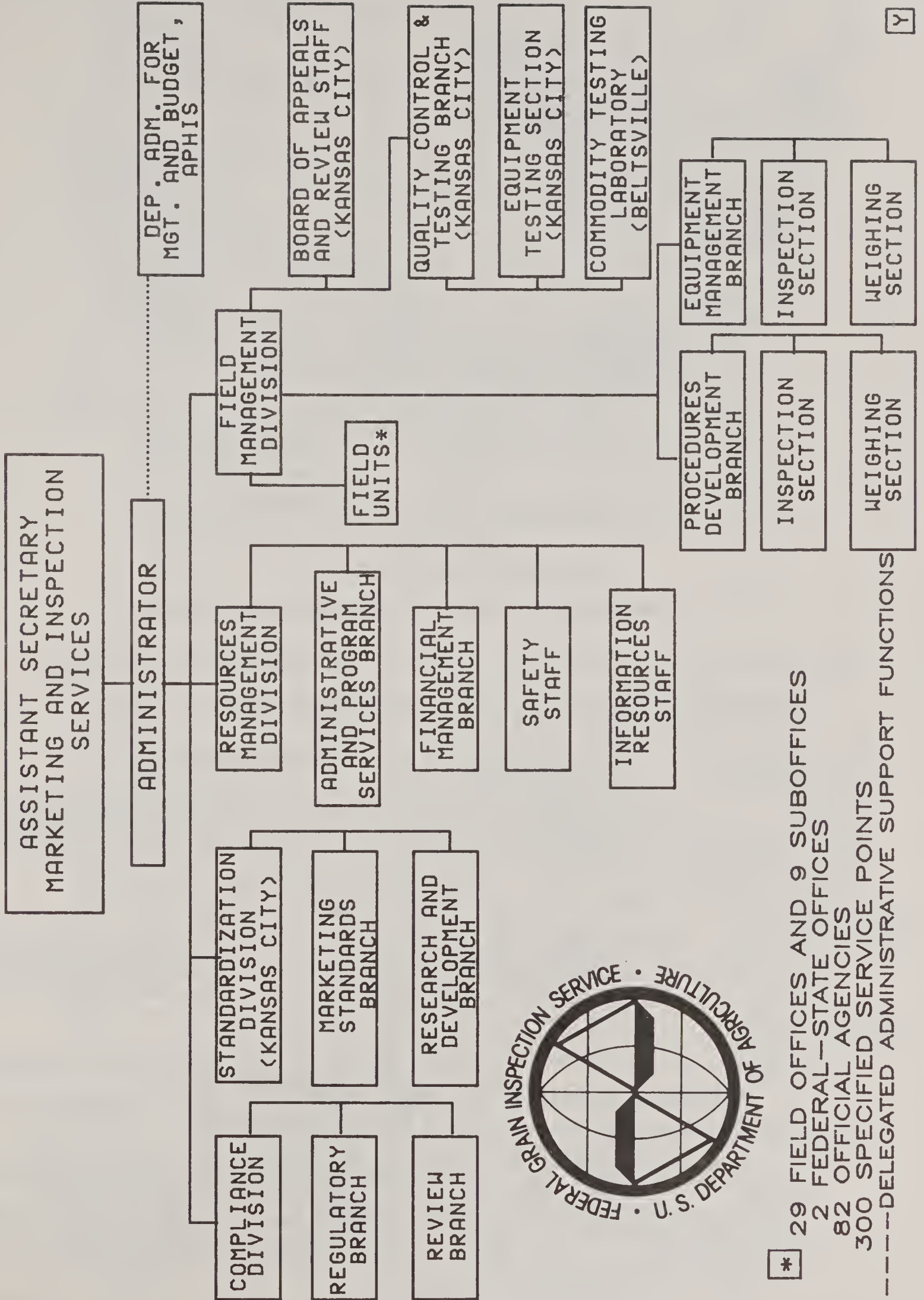
*F - A Formal Complaint is recorded when a Form FAS-802, "Foreign Agricultural Service (FAS) Foreign Trade Discrepancy Inquiry (Grain, oilseeds, and other commodities)" is received by FGIS.

*I - An Informal Complaint is recorded when an inquiry, either verbal or written, is submitted through the Attache or FAS to FGIS

Three-Year Summary of Foreign Grain Complaints

		<u>1983</u>	<u>1984</u>	<u>1985</u>
Valid		1	3	1
Non-Valid		$\frac{15}{16}$	$\frac{21}{24}$	$\frac{73}{74}$
	TOTAL			
Formal		10	13	39
Informal		$\frac{6}{16}$	$\frac{11}{24}$	$\frac{35}{74}$
	TOTAL			
Quality		13	22	71
Quantity		$\frac{3}{16}$	$\frac{2}{24}$	$\frac{3}{74}$
	TOTAL			
Export Volume Inspected (Million metric tons)		114.1	115.2	101.1
Complaints Tonnage (Million metric tons)		0.2	0.7	2.2
Complaints Percentages (Basis tonnage shipped)		0.15	0.57	2.15
Valid Complaints Percentages (Basis tonnage shipped)		0.014	0.008	0.010

APPENDIX

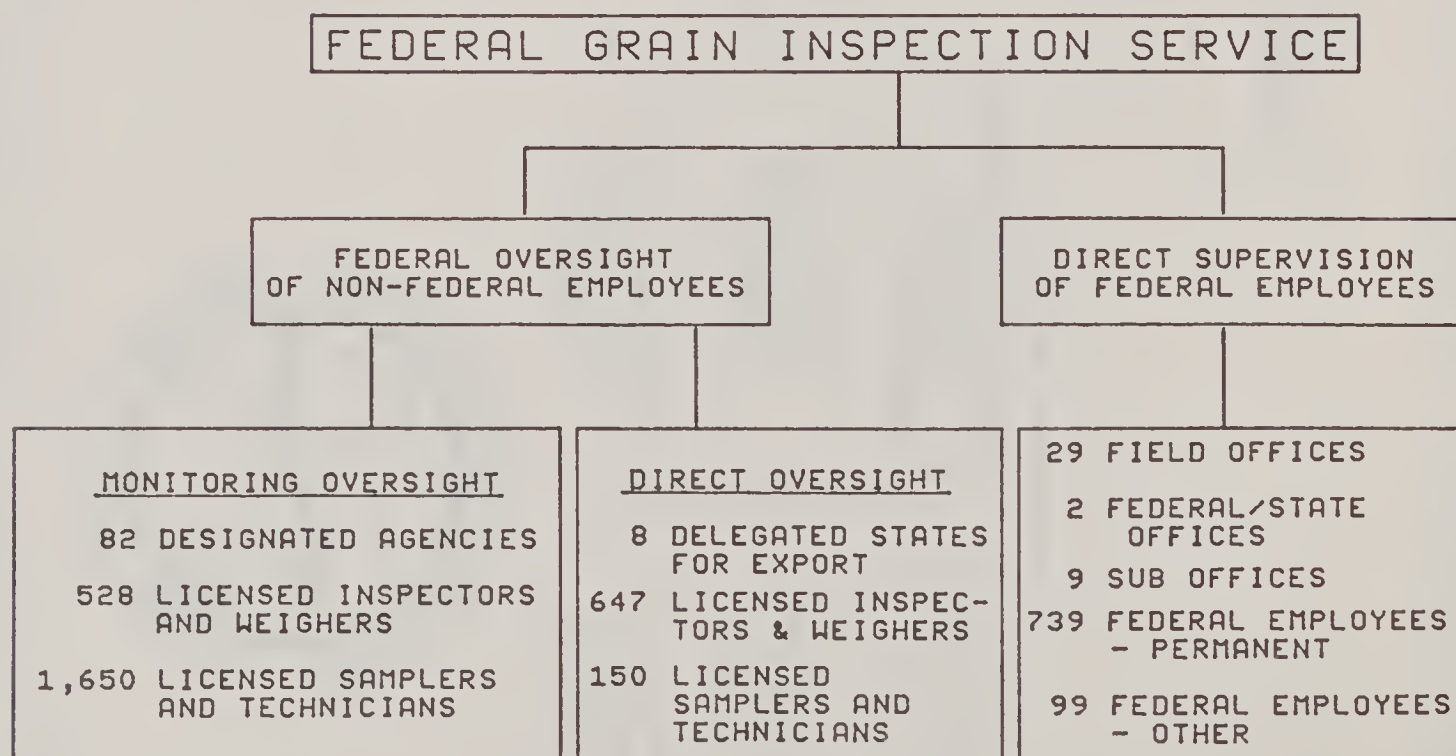


- * 29 FIELD OFFICES AND 9 SUBOFFICES
 2 FEDERAL--STATE OFFICES
 82 OFFICIAL AGENCIES
 300 SPECIFIED SERVICE POINTS
 -----DELEGATED ADMINISTRATIVE SUPPORT FUNCTIONS

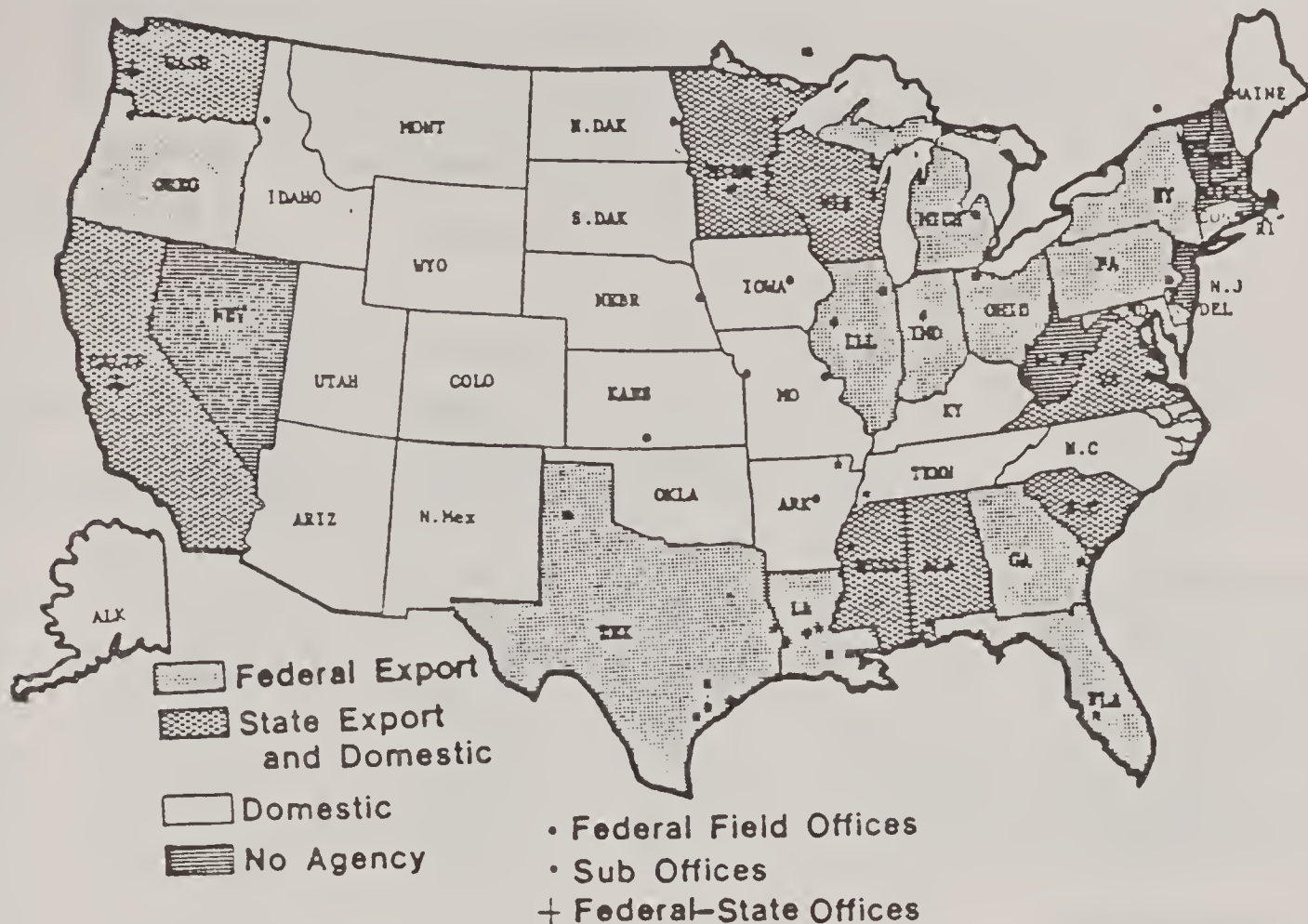
FGIS OFFICIAL INSPECTION AND WEIGHING SERVICES

- Development of official standards and procedures
 - Application of standards uniformly by official personnel
 - Application of official inspection and weighing procedures
 - Designation of official agencies
 - Exclusive geographical service area
 - Authorization to issue official certificates
 - Monitoring of official agency performance.
 - Enforcement of regulations
-

Official Inspection and Weighing Oversight

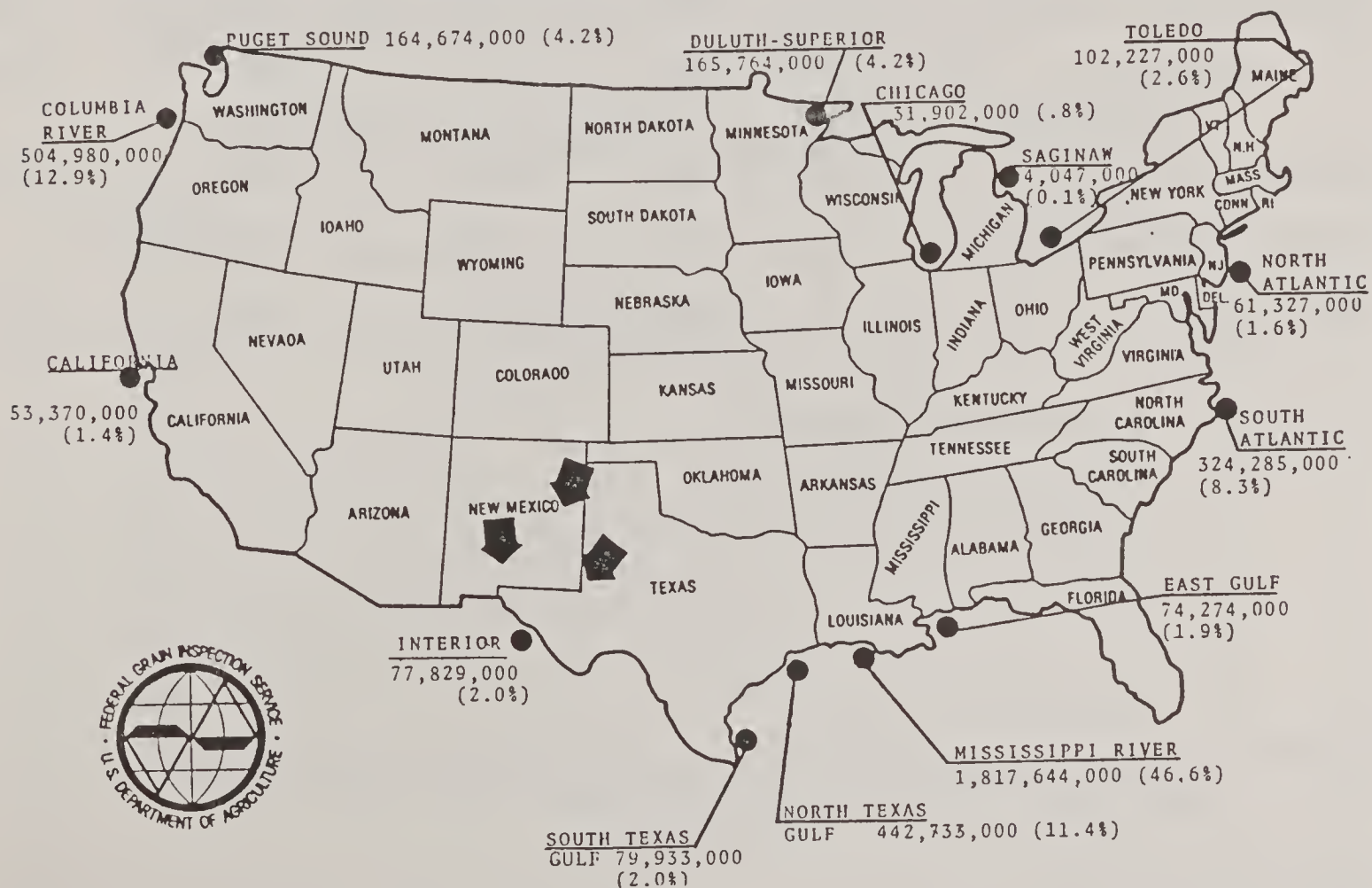


Federal Grain Inspection Service Performance of Inspection and Weighing Services



INSPECTIONS FOR EXPORT BY PORT AREA FOR FISCAL YEAR 1985

October 1984 – September 1985 3,904,989,000 Bushels



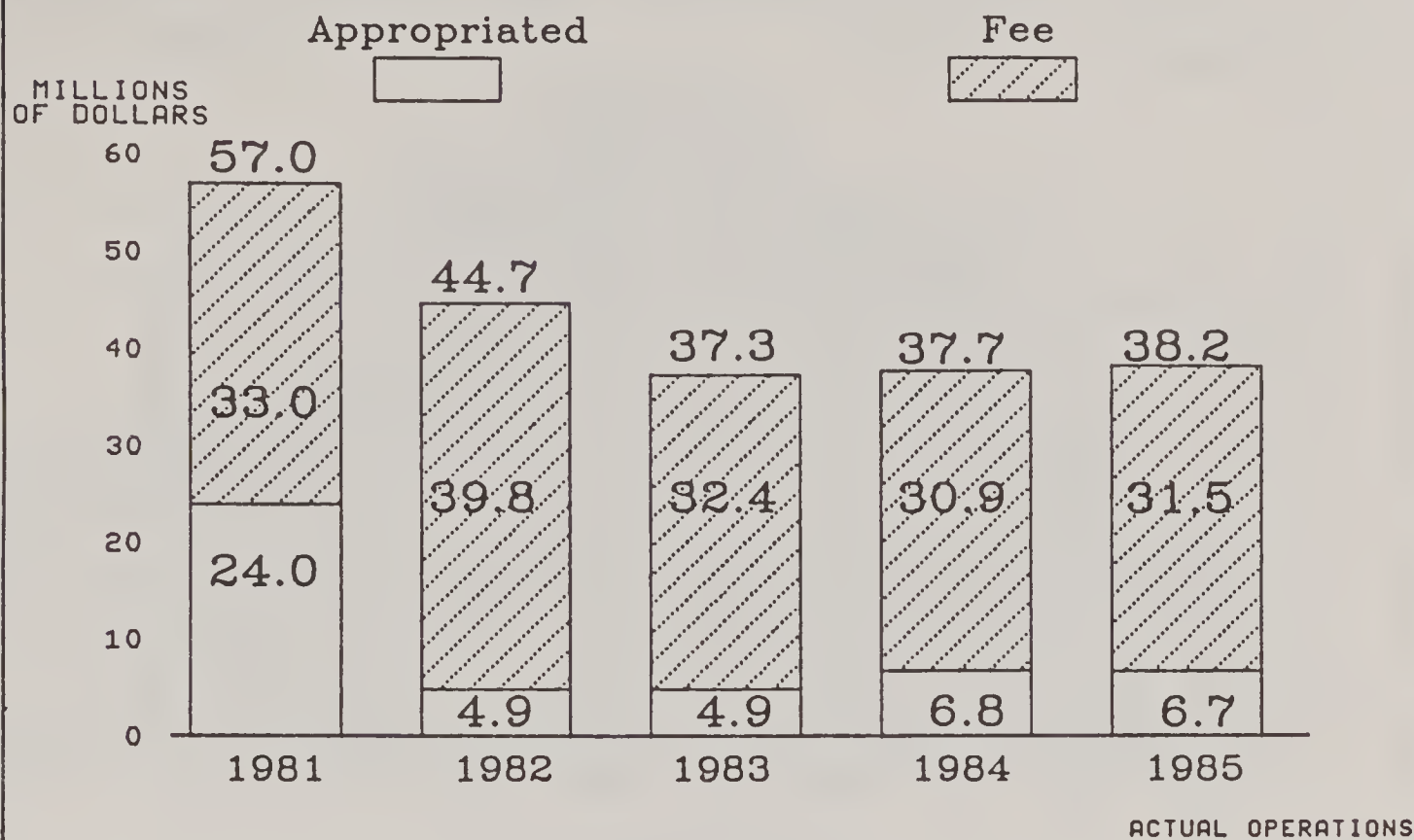
FEDERAL GRAIN INSPECTION SERVICE
Status of Fee Supported Accounts
Fiscal Year
(Dollars in Thousands)

PROGRAM	Revenue 9/30/85	Obliga- tions 9/30/85	Profit/ Loss 9/30/85	Unobligated Funds 9/30/85
<u>Grain Standards Act</u>				
Original Inspection	\$11,352	\$12,669	\$(1,317)	\$(882)
Canadian Operations	569	698	(129)	(258)
U.S. Appeals	863	1,076	(213)	(668)
Original Weighing	6,240	6,764	(524)	1,841
Supv. of Inspection Agencies	2,818	2,035	783	4,400
Supv. of Weighing Agencies	188	178	10	246
Registration	21	17	4	8
GSA Subtotal	22,051	23,437	(1,386)	4,687
<u>Agricultural Marketing Act</u>				
Rice Inspection	3,055	3,076	(21)	182
Misc. & Proc. Commodities	6,584	4,835	1,749	3,158
Miscellaneous Agreements	41	120	(79)	20
AMA Subtotal	9,680	8,031	1,649	3,360
FGIS Total FY 85	31,731	31,468	263	8,047
Prior Years Adjustments	701	388	313	
FGIS Fee Total	32,432	31,856	576	8,047 1/

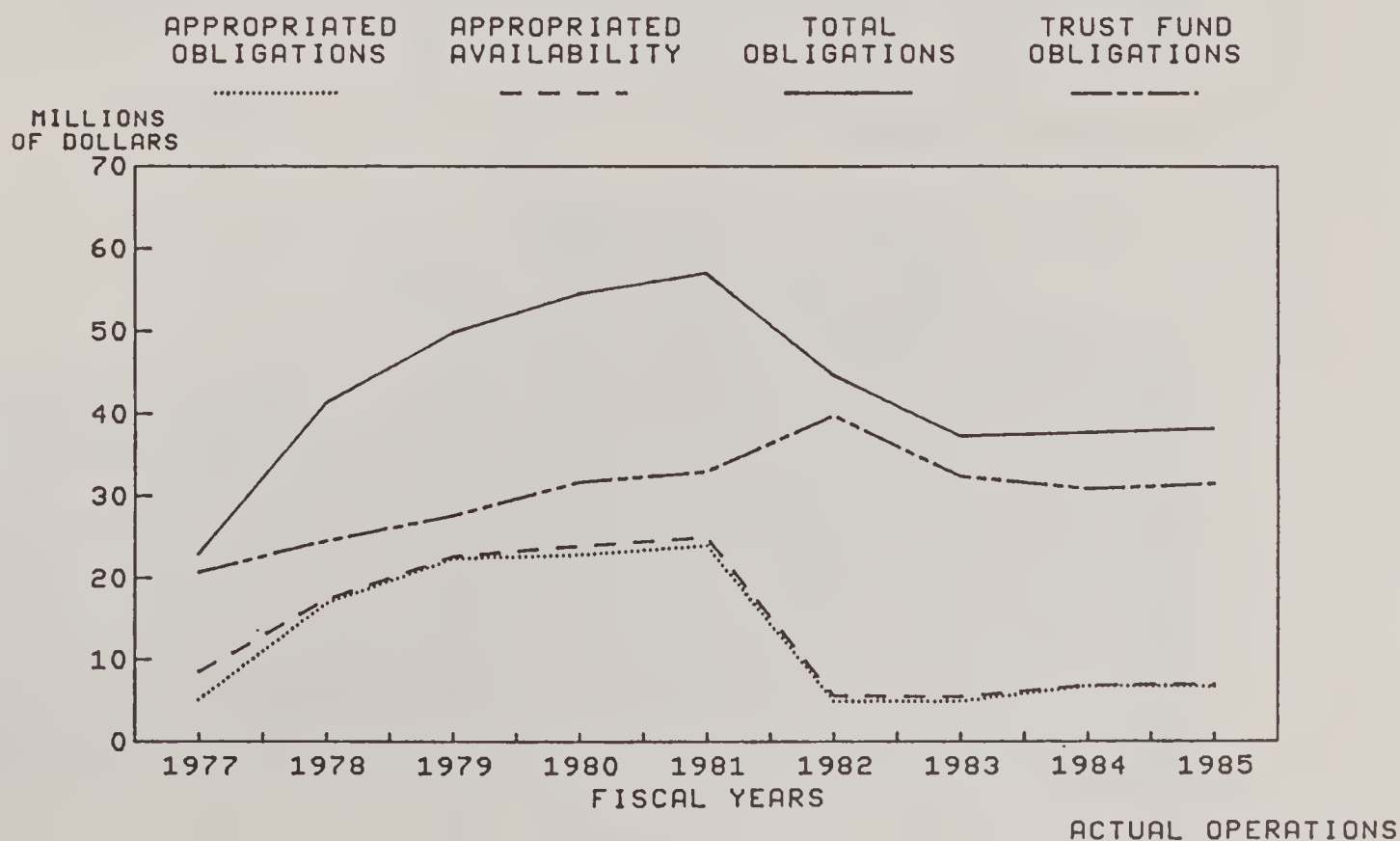
1/ Represents 3.0 months operating costs.

10/21/85

FGIS Appropriated and Fee-Supported Expenditures

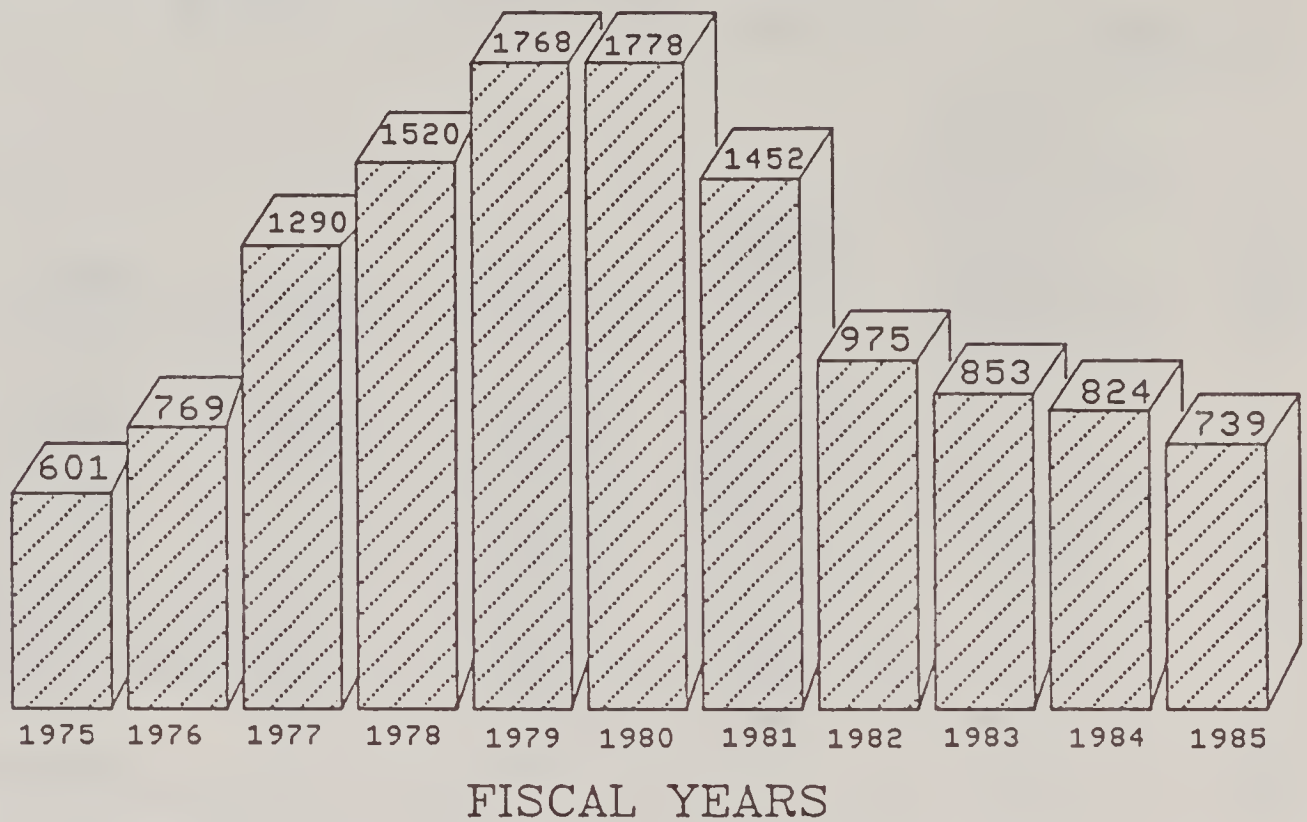


FGIS Appropriated Funds Availability and Obligations



FEDERAL GRAIN INSPECTION SERVICE FULL-TIME PERMANENT EMPLOYMENT HISTORY

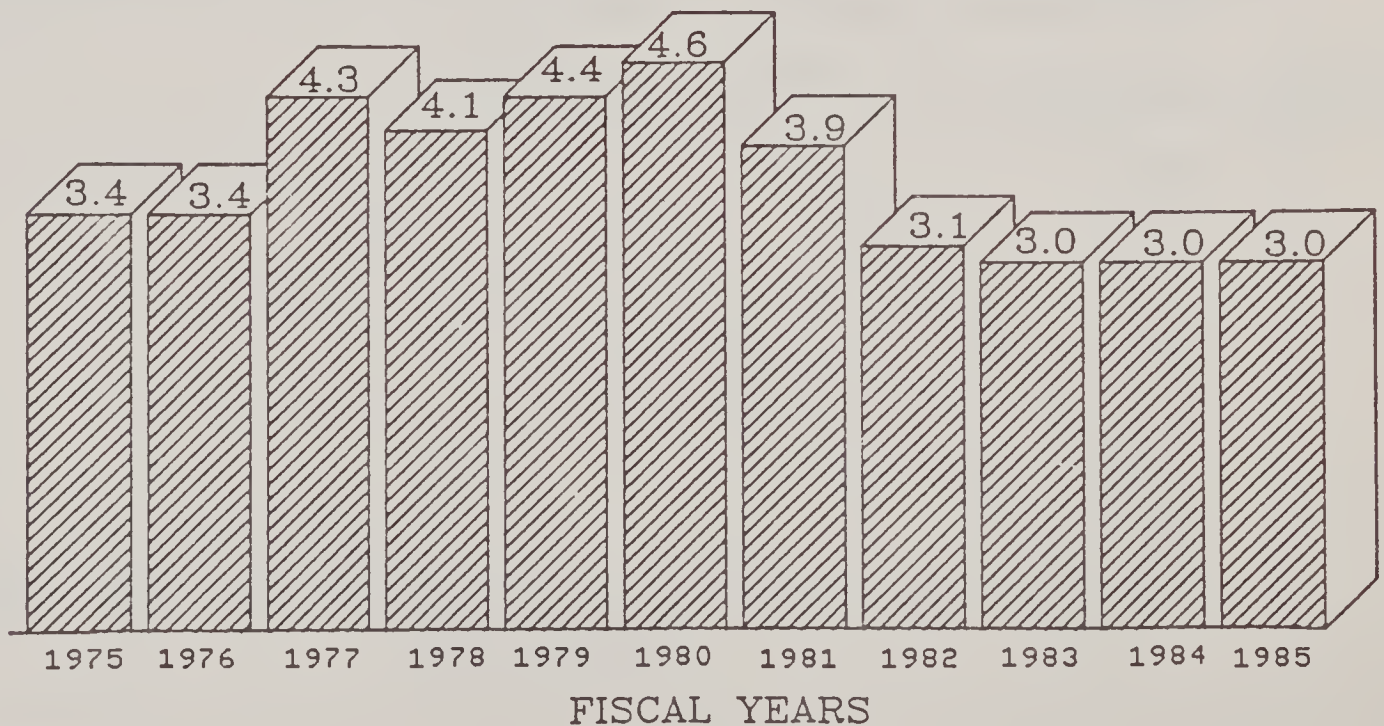
NUMBER OF EMPLOYEES



B

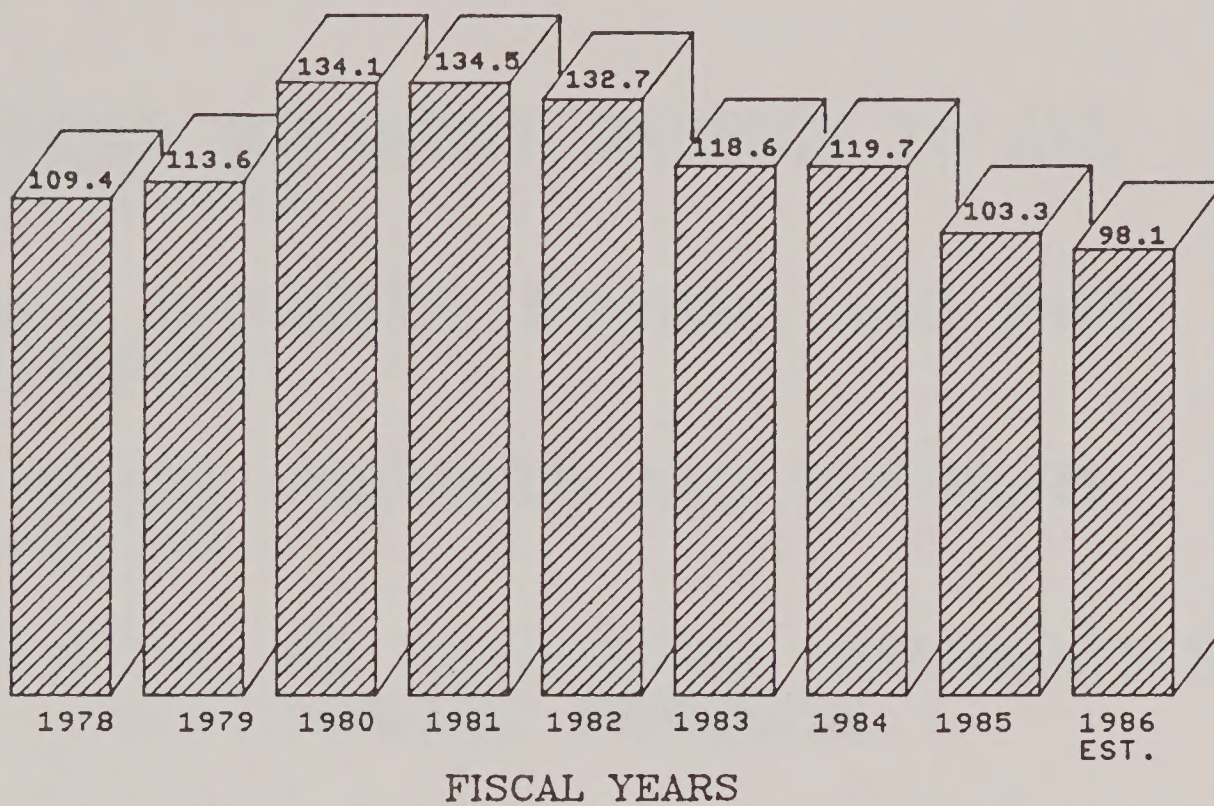
Federal Grain Inspection Service Number of Inspections

MILLIONS OF INSPECTIONS



U.S. Agricultural Exports—Wheat, Course Grains, Soybeans, Rice and Sunflower

MILLION METRIC TONS



Code of Ethics

FEDERAL GRAIN INSPECTION SERVICE

1. RENDER IMPARTIAL SERVICE TO ALL APPLICANTS.
2. MAKE ACCURATE, HONEST, AND FAIR DECISIONS.
3. MAINTAIN COMPLETE AND ACCURATE RECORDS.
4. DISCLOSE NO PRIVILEGED INFORMATION TO UNAUTHORIZED PERSONS.
5. STRIVE FOR UTMOST EFFICIENCY AND ECONOMY IN OPERATIONS.
6. BE SAFETY CONSCIOUS.
7. ACCEPT NO GIFTS OR FAVORS FROM ANYONE IN THE INDUSTRY OR FROM PERSONS REQUESTING SERVICES.
8. CONDUCT MY PERSONAL ACTIVITIES IN SUCH A WAY AS TO AVOID EMBARRASSMENT TO THE SERVICE OR MYSELF.
9. DISPLAY A HIGH SENSE OF LOYALTY AND PRIDE IN THE SERVICE.
10. DO MY BEST . . . BE A PROFESSIONAL.
11. PROVIDE AN HONEST DAY'S WORK FOR AN HONEST DAY'S PAY.

